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NEWS RELEASE

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PSC APPROVES ENVIRONMENTAL PLANS FOR LG&E AND KU
Projects are designed to meet pollution control requirements

FRANKFORT, Ky. (December 21, 2006) – The Kentucky Public Service Commission (PSC) has approved environmental improvement projects proposed by the Louisville Gas & Electric Co. (LG&E) and the Kentucky Utilities Co. (KU).

In orders issued today, the PSC also authorized the companies to begin recovering their portion of the air emission control costs associated with the construction of a new 750-megawatt coal-fired generation facility at their Trimble County station.

All of the projects are required in order for KU and LG&E to comply with government regulations, particularly U.S. Environmental Protection Agency (EPA) requirements to reduce air emissions from coal-fired power plants.

KU's five new projects have an estimated cost of about \$325.1 million. LG&E estimates its four new projects will cost a total of about \$65.8 million. The new Trimble County facility represents about \$185 million of the KU total cost and about \$43 million of the LG&E total.

The emission controls for the new Trimble County power plant were approved as part of the PSC's overall approval of the \$1.1 billion facility in November 2005. Today's order addresses how the utilities will recover the costs of the environmental controls.

LG&E and KU are paying for and will own 75 percent of the new Trimble County facility, with the remainder paid for and owned by municipal utilities in Indiana and Illinois.

Under Kentucky law, the utilities are allowed to recover their environmental compliance costs for coal-fired generating facilities through a surcharge on electric bills. The impact on individual electric bills will depend on actual construction costs, interest rates and other factors.

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KU estimates the additional monthly surcharge for an average (1,000 kilowatt-hour per month) residential customer will be 82 cents in 2007, rising to \$2.52 by 2010. LG&E estimates the additional monthly surcharge for the average customer will be 41 cents next year and 76 cents by 2010.

The emission controls at the Trimble County facility include equipment to reduce emissions of sulfur dioxide, sulfur trioxide, nitrogen oxide and soot.

The other projects include:

- Installation of monitors to measure mercury emissions at all LG&E and KU power plants.
- Addition of equipment to remove sulfur trioxide from boiler exhaust at KU's Ghent plant in Carroll County, LG&E's Mill Creek plant in Jefferson County and the existing plant in Trimble County.
- Installation of equipment to reduce nitrogen oxide emissions from KU's Ghent plant.
- Improvements to soot controls at KU's E.W. Brown plant in Mercer County.
- New soot monitors at LG&E's Mill Creek plant.

Using pollution-control equipment – commonly known as “scrubbers” – to remove sulfur dioxide enable a utility to use high-sulfur coal, which is generally less costly than low-sulfur coal. Electric utilities in Kentucky are required to pass on to consumers any savings that result from reductions in fuel costs.

The PSC denied a request by LG&E and KU to begin recovering the projected operating and maintenance costs for the emission control equipment at the new Trimble County facility. The Commission ruled that such cost recovery would be premature.

LG&E has about 393,000 electric customers in and around the Louisville area. KU has 491,000 customers in 77 Kentucky counties. Both utilities are subsidiaries of LG&E Energy LLC.

Today's orders and other documents in the cases are available on the PSC Web site, psc.ky.gov. The case numbers are 2006-00208 (LG&E) and 2006-00206 (KU).

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.